

**LONG-STANDING WEAKNESSES IN  
DEPARTMENT OF STATE'S OVERSIGHT  
OF DYNCorp CONTRACT FOR  
SUPPORT OF THE IRAQI POLICE  
TRAINING PROGRAM**



**SIGIR 10-008  
JANUARY 25, 2010**

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# SIGIR

Special Inspector General for IRAQ Reconstruction

## Summary of Report: SIGIR 10-008

### Why SIGIR Did this Study

The Department of State (DoS) Bureau of International Narcotics and Law Enforcement Affairs (INL) contract with DynCorp International includes task orders to support the Department of Defense's (DoD) Iraqi police training program. Under the task orders, DynCorp has provided police advisors and in-country support for those and other advisors. INL's Afghanistan, Iraq, Jordan Support Division is primarily responsible for oversight of the DynCorp contract. The Special Inspector General for Iraq Reconstruction (SIGIR) examined INL's oversight of the task orders because they cost over \$2.5 billion and INL has had a history of weak oversight of the task orders. Specifically, SIGIR examined: (1) the costs, funding, and award process for the largest and most recent task orders; (2) DoS oversight of the task orders; and (3) the status of INL's implementation of SIGIR's prior recommendations.

### What SIGIR Recommends

Because weak contract administration and oversight have been long-standing issues that INL has not corrected, SIGIR recommends that the Deputy Secretary of State for Management and Resources direct an immediate examination of the Afghanistan, Iraq, Jordan Support (AIJS) Division's personnel and operations to determine if the Division is structured, staffed, and managed to effectively and efficiently oversee the contracts under its responsibilities. Until such an examination can be conducted, SIGIR recommends that the Assistant Secretary, INL, direct the Chief of AIJS to develop detailed guidance for ICORs, assign specific responsibilities to each ICOR, determine how many ICORs are needed in Iraq to accomplish assigned responsibilities, and staff the invoice reconciliation effort to validate historical invoices within the next 2 years.

### Management Comments and Audit Response

INL agreed with SIGIR's recommendations. It did not agree with SIGIR's position that \$2.5 billion in U.S. funds are vulnerable to waste and fraud. Because of the serious control weaknesses identified in this and prior audits, SIGIR maintains its position.

January 25, 2010

## LONG-STANDING WEAKNESSES IN DEPARTMENT OF STATE'S OVERSIGHT OF DYNCORP CONTRACT FOR SUPPORT OF THE IRAQI POLICE TRAINING PROGRAM

### What SIGIR Found

INL continues to exhibit weak oversight of the DynCorp task orders for support of the Iraqi police training program. INL lacks sufficient resources and controls to adequately manage the task orders with DynCorp. As a result, over \$2.5 billion in U.S. funds are vulnerable to waste and fraud. The In-country Contracting Officer Representatives (ICOR), who are critical to overseeing DynCorp's performance and expenditures under the current task order, do not perform adequate reviews and tests to ensure that: (1) the costs submitted by DynCorp on invoices are allowable under the contract/task order, supported by appropriate documentation, and correct; (2) U.S. government property managed by DynCorp is adequately controlled; (3) lease agreements negotiated on behalf of the U.S. government protect the U.S. government's interests; and (4) the government receives the services at the performance standards specified in the task order. As DoS takes responsibility for the police training program from DoD in 2011 and DoS continues to oversee contracts costing the American taxpayers hundreds of millions of dollars, it will be critical for DoS to have in place effective management and controls of those contracts to ensure that U.S. funds are effectively and efficiently spent.

Inadequate resources and controls are not new problems. As early as 2005, INL was told that its staffing had not increased commensurate with its workload and that it needed to strengthen its oversight of the contracts for Iraq and Afghanistan. In 2007, INL was again told that its poor oversight of the contract for Iraq had put millions of dollars at risk. In a hearing and in responses to audit reports, INL officials have repeatedly stated they recognized the problems and had initiatives to increase staff and improve management and oversight of the contract for Iraq. However, INL has fallen far short on those initiatives.

INL stated that it plans to increase the number of ICORs in Iraq to 11—there were 3 in November 2009. However, SIGIR believes the ICORs need additional guidance to clearly specify their responsibilities and more oversight to determine what they are or are not doing. Until that guidance is developed and implemented, INL is in no position to accurately determine how many additional ICORs it needs. SIGIR believes that more than 3 ICORs are needed but does not believe INL has demonstrated it needs 11.

Because of weak oversight of the DynCorp contract in Iraq from its start in 2004, INL is reconciling all historical invoices. Although SIGIR was told in October 2007 that the reconciliation effort would take 3 to 5 years to complete by a full complement of 11 personnel, the reconciliations will likely take longer because INL has not fully staffed the effort. In addition, reconciliation efforts have been adversely impacted by high error rates on invoices and poor or missing support documentation. Moreover, the workload will likely increase because of the problems found with the current invoice review process.



## SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

January 25, 2010

MEMORANDUM FOR U.S. SECRETARY OF STATE  
DEPUTY SECRETARY OF STATE FOR MANAGEMENT AND  
RESOURCES  
ASSISTANT SECRETARY OF STATE, BUREAU OF  
INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT  
AFFAIRS  
U.S. AMBASSADOR TO IRAQ

SUBJECT: Long-standing Weaknesses in Department of State's Oversight of DynCorp  
Contract for Support of the Iraqi Police Training Program (SIGIR 10-008)

We are providing this audit report for your information and use. It primarily pertains to the Bureau of International Narcotics and Law Enforcement Affairs' (INL) oversight of its contract with DynCorp International for support of the Iraqi Police Training Program. We performed this audit in accordance with our statutory responsibilities contained in Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. This law provides for independent and objective audits of programs and operations funded with amounts appropriated or otherwise made available for Iraq reconstruction and for recommendations on related policies designed to promote economy, efficiency, and effectiveness and to prevent and detect waste, fraud, and abuse. This audit was conducted as SIGIR Project 9025.

We considered written comments from the Assistant Secretary, INL, when preparing this report. The comments are addressed in the report where applicable, and the letter is included in Appendix D.

We appreciate the courtesies extended to the SIGIR staff. For additional information on the audit report, please contact David Warren, Assistant Inspector General for Audits, (703) 604-0982/ [david.warren@sigir.mil](mailto:david.warren@sigir.mil), or Glenn Furbish, Principal Deputy Assistant Inspector General for Audits, (703) 604-1388/ [glenn.furbish@sigir.mil](mailto:glenn.furbish@sigir.mil).

Stuart W. Bowen, Jr.  
Inspector General

cc: U.S. Secretary of Defense  
Commander, U.S. Central Command  
Commanding General, U.S. Forces-Iraq

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# **Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program**

**SIGIR 10-008**

**January 25, 2010**

## **Introduction**

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In 2000, the Department of State (DoS) established a program for training civilian police to perform international peacekeeping missions around the world. Within DoS, the Bureau of International Narcotics and Law Enforcement Affairs (INL) is responsible for developing policies and managing programs to strengthen law enforcement and other rule of law institutional capabilities outside the United States. INL has relied on contractors to assist in fulfilling its responsibilities. In early 2004, INL awarded contracts to DynCorp International, LLC; Pacific Architects & Engineers-Homeland Security Corporation; and Civilian Police International (CPI) to establish and maintain a cadre of experienced law enforcement personnel to serve in civilian peacekeeping missions overseas; provide pre-deployment and in-country support for the personnel; and perform other related functions.

In May 2004, National Security Presidential Directive 36<sup>1</sup> assigned the mission of organizing, training, and equipping Iraq's security forces, including the police, to the U.S. Central Command until the Secretaries of State and Defense agreed that DoS should assume that responsibility. The U.S. Central Command designated the Multi-National Security Transition Command-Iraq (MNSTC-I), under the overall direction of the Multi-National Force-Iraq, the manager of this effort and created the Civilian Police Assistance Training Team<sup>2</sup> to train and equip Iraqi police and other civilian security forces. The Department of Defense (DoD) components are responsible for setting requirements for and managing the Iraqi Police Training Program. As such, DoD has program office responsibility for ensuring that the program achieves its objectives. DoD transfers funds to DoS for contractor support and DoS, specifically INL, is responsible for managing the contracts that provide that support. INL and its contractors support the DoD program by providing police and judicial advisors and logistical support for those and other advisors. According to INL officials, DynCorp has been the major provider of support to the program in Iraq.

The Special Inspector General for Iraq Reconstruction (SIGIR) has a separate audit underway to review DoD's management of the Iraqi Police Training Program.

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<sup>1</sup> United States Government Operations in Iraq, 5/11/2004.

<sup>2</sup> Now called the Iraq Training and Advisory Mission, which has been subsumed into U.S. Forces-Iraq.

## **Background**

The INL contract with DynCorp was awarded in February 2004 for a base year and four 1-year options (February 18, 2004, through February 17, 2009).<sup>3</sup> In February 2009, the contract was extended for 6 months to August 17, 2009, and in August 2009, the contract was further extended for 1 year to August 17, 2010.

Eight task orders have been awarded to DynCorp under that contract; seven have been concluded and one is ongoing. Table 1 provides details on the eight task orders, including the funds obligated and expended, purpose, and status.

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<sup>3</sup> Contract S-LMAQM-04-C-0030.



**Table 1—Task Order Summaries (as of December 24, 2009)**

<b>Task Order</b>	<b>Obligations (\$ millions)</b>	<b>Expenditures (\$ millions)</b>	<b>Purpose</b>	<b>Status</b>
0582	Funds moved to Task Order 1436		Provide pre- and post-deployment support for 12 U.S. judicial and criminal-justice experts in such areas as training, equipment, housing, meals, transportation, information technology, medical services, and security. The support could require the construction, repair, or refurbishment of facilities and buildings.	Combined with Task Order 1436
0765	\$70.4	\$70.4	Provide all labor, materials, supervision, tools, equipment, services, quality assurance, and other necessary items and services for the construction of the Jordan International Police Training Center in Amman.	Concluded
A528	55.3	55.3	Provide operations and maintenance support for the Jordan International Police Training Center.	Concluded
2059	47.2	47.2	Provide funds to reimburse DynCorp for equipment, construction, supplies, materials, services, and other functions delivered between July 17 and October 22, 2004. The contracting officer determined DynCorp should be reimbursed for the services because it continued to perform essential services during this period despite the expiration of the task-order performance period.	Concluded
0338	152.2	152.0	Provide training services for international police-liaison officers, training support equipment, construction of five regional camps, and construction of a residential camp—on the Adnan Palace grounds in Baghdad—to house training personnel.	Concluded
1436	1,423.9	1,391.9	Provide police technical advisors, in-country support services (such as housing, food, security, communications, and facilities) for the police and other advisors provided by other organizations, <sup>a</sup> and training support for the Iraqi Police Training Program.	Concluded
7229	1.4	0.0	Renovation and expansion of villas for judicial advisors.	Concluded
4761	786.0	402.0	Provide police advisors <sup>b</sup> and in-country support for police, judicial, and corrections advisors.	Ongoing
<b>Totals</b>	<b>\$2,536.4</b>	<b>\$2,118.8</b>		

**Notes:**

<sup>a</sup> Judicial and corrections advisors were provided by other U.S. government agencies.

<sup>b</sup> Includes border/point-of-entry advisors.

Source: INL officials and financial and contract documents.

During the initial year of the contract, INL's workload increased substantially without a commensurate increase in personnel. The result was poor contract management, which plagued the early years of the contract. INL's contract management problems and its efforts to improve that management are well documented:

- In July 2005, the DoS Office of Inspector General reported that INL's responsibilities and programs had increased substantially between 2003 and 2005 but that its staffing had not increased commensurate with its workload, creating a significant management challenge.<sup>4</sup> The report stated that "INL must strengthen its mechanisms for oversight of procurement and contract compliance...particularly regarding the Iraq and Afghanistan programs." Consequently, INL submitted a reorganization proposal—approved by DoS—to add 35 full-time domestic positions. According to the Inspector General's report, however, the INL reorganization did not address the critical staffing requirements for overseas posts, including those in Iraq.
- In a January 2007 report on Task Order 0338,<sup>5</sup> SIGIR and the DoS Office of Inspector General noted that poor contract administration by INL and the DoS Office of Acquisition Management, the contracting office, put millions of dollars at risk and could not account for property. In commenting on the report, the Assistant Secretary of State, INL, identified steps INL had initiated to strengthen its contract and asset management as well as its intent to reconcile past payments made since the inception of INL contracts in Iraq, Afghanistan, and Jordan.
- On April 25, 2007, the Assistant Secretary of State, INL, in testimony on contracts for the Iraqi security forces,<sup>6</sup> recognized problems with contract management and cited related measures to improve INL's management and oversight capabilities. She stated that "The urgency and scale of requirements in Iraq has often outstripped our staffing and oversight capabilities both domestically and in the field, particularly in the early stages. Security challenges have also impeded the ability of our staff to travel throughout Iraq." The assistant secretary said that INL had recently obtained approval to increase its staff in Baghdad, was expanding its Washington-based Iraq program staff, and had strengthened such internal controls as inventory oversight and performance reporting on property management.
- In October 2007, SIGIR reported on its attempt to audit the contract.<sup>7</sup> SIGIR stated that it suspended the audit because INL (1) did not have the information needed to identify what DynCorp provided under the contract or how funds were spent and (2) had a number of initiatives to improve its management and oversight of the contract and recoup funds inappropriately paid to DynCorp. For example, it was organizing contract files, increasing the number of contract management personnel in Iraq, increasing its

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<sup>4</sup> United States Department of State and the Broadcasting Board of Governors Office of Inspector General, *Report on Inspection Bureau of International Narcotics and Law Enforcement Affairs*, Report Number ISP-I-05-14, 7/2005.

<sup>5</sup> *Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support*, SIGIR 06-029 and DoS-OIG-AUD/IQO-07-20, 1/30/2007.

<sup>6</sup> Testimony by Ambassador Anne W. Patterson, Assistant Secretary of State, Bureau for International Narcotics and Law Enforcement Affairs, U.S. Department of State, before the House Committee on Armed Services, Subcommittee on Oversight and Investigation, *Contracting for the Iraqi Security Forces*, 4/25/2007.

<sup>7</sup> *Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program*, SIGIR 07-016, 10/23/2007.

headquarters staff, improving its oversight of property management, collecting for excess or erroneous charges, and improving its project oversight and business processes.

- In April 2008, SIGIR reported<sup>8</sup> on INL's progress on recommended improvements to its contract administration. SIGIR found that INL had made a concerted effort to implement the recommendations in prior reports on the Iraqi Police Training Program. It stated that while INL's actions were in various stages of completion, taken together, they were improving the overall contract administration.

## **Contract Management and Oversight Organizations**

Within INL, the Office of Iraq Programs coordinates requirements with MNSTC-I, provides foreign policy advice, manages the contract modification process, and performs other functions such as managing the "people" part of the contracts by reviewing resumes and approving all police advisor candidates. To assist in contract oversight and related functions for its biggest programs (Iraq and Afghanistan), INL created the Afghanistan, Iraq, Jordan Support (AIJS) Division. The Division Chief is also the Contracting Officer Representative (COR). AIJS is responsible for such oversight activities as monitoring the contractors' performance in both Iraq and Afghanistan, providing technical direction to the contractors to ensure regulatory compliance, conducting and validating physical inventories of government-furnished equipment, and reconciling a large backlog of historical invoices submitted by the contractors. Assisting AIJS in its oversight role are In-country Contracting Officer Representatives (ICORs). The Office of Acquisition Management (AQM) within DoS's Bureau of Management is the contracting office.

## **Objectives**

Because (1) the Iraqi Police Training Program is the largest assistance program in which INL is involved, (2) DynCorp has been the major provider of support to the program in Iraq, and (3) INL has had a history of weak oversight of the Iraq task orders, SIGIR examined the largest and most recent task orders for the Iraqi program under the INL contract with DynCorp.

Specifically, SIGIR examined: (1) the costs, funding, and award process for Task Orders 1436, 4761, and 7229; (2) DoS' oversight of DynCorp-provided services for the three task orders; and (3) the status of INL's implementation of prior recommendations pertaining to Task Order 0338 as well as overall contract management and oversight. Because of a separate review underway related to Task Order 1436, we focused our oversight examination on Task Orders 4761 and 7229 but did review INL's progress in reviewing historical invoices pertaining to 1436.

For a discussion of the audit scope and methodology and a summary of prior coverage, see Appendix A. For a list of acronyms used, see Appendix B. For the audit team members, see Appendix C. For the management comments, see Appendix D. For the SIGIR Mission and Contact Information, see Appendix E.

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<sup>8</sup> *Progress on Recommended Improvements to Contract Administration for the Iraqi Police Training Program*, SIGIR 08-014, 4/22/2008.

## **Task Order Costs, Funding, and Award Process**

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Despite repeated requests to INL for detailed cost data on the three task orders, INL did not provide the data until early January 2010. Our preliminary analysis of the data raised questions that could not be resolved in time to include the data in this report. SIGIR will continue to pursue those questions with INL. According to an AIJS official, DoD provided most of the funds for Task Orders 1436, 7229, and 4761 from the Iraq Security Forces Fund. According to expenditure data provided by INL for Task Orders 1436 and 4761 as of December 24, 2009, the daily expenditures for the two task orders were about \$1.1 million and \$670,000, respectively.

The DynCorp contract was awarded in February 2004 with options to extend through February 2009, and those options were exercised. In addition, the contract was extended through August 2010. We were told that DoS plans to award new contracts in 2010. In July 2011, DoS plans to assume responsibility for the police training program. INL officials told us they are now preparing to include the program in the fiscal year 2011 budget.

Task Order 1436 was awarded to DynCorp as an exception to the fair opportunity provisions under the Federal Acquisition Regulation (FAR). Under the provisions, INL did not have to open the award to the other two companies supporting INL in its law enforcement/rule of law activities<sup>9</sup> if there was an unusual and compelling urgency. However, we found no written explanation for the unusual and compelling urgency in the contract or task order files. The newest Task Orders, 4761 and 7229, were open to the other two contractors but awarded to DynCorp.

### **Contract Performance Period Was Extended Pending Future Awards**

As mentioned earlier, DynCorp is one of three companies under contract to INL in support of INL's responsibilities to strengthen law enforcement and other rule of law institutional capabilities outside the United States. The DynCorp contract is a combination firm-fixed-price indefinite-delivery and indefinite-quantity, cost-plus-fixed fee award. It was awarded in February 2004 for a base year with four 1-year options (February 18, 2004, through February 17, 2009). Each of the option years was exercised. In February 2009, the contract was extended for 6 months to August 17, 2009, and in August 2009, the contract was further extended for 1 year to August 17, 2010. INL and AQM personnel noted that the other two contracts were similarly extended.

In July 2011, DoS plans to assume responsibility for the police training program in Iraq. According to INL officials, INL is working with the U.S. military to make a smooth transition of the program from DoD to DoS. The officials also said that INL is working with Iraqi officials to develop the type of program the Iraqis want. INL officials stated that they are preparing for the program in the fiscal year 2011 budget. Security costs in that budget are projected to quadruple as the military withdraws and private security contractors are needed to fill the void. Also, INL

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<sup>9</sup> Pacific Architects & Engineers-Homeland Security Corporation and CPI.

plans to have a full and open competition for new contracts to support its law enforcement/rule of law mission and to award those contracts in 2010.

The DynCorp contract was extended for 6 months (February 18, 2009, through August 17, 2009) under FAR provision 52.217-8, Option to Extend Services. Under that provision, the contract may be extended more than once, but the total extension is not to exceed 6 months. The 1-year extension (August 18, 2009 through August 17, 2010) to the contract without full and open competition was justified under 41 U.S. Code 253(c)(2) as set forth by FAR 6.302-2,<sup>10</sup> as follows:

“DynCorp International is currently performing the above services in the conflict or depressed areas of Iraq, Afghanistan, Sudan, Haiti, the West Bank and Liberia and INL continues to require the availability of the contract to respond rapidly to exigent requirements that may evolve before successor contracts can be awarded...Any delay in providing these critical services while awaiting execution of successor contracts would cause severe harm to diplomatic and military efforts to establish civil order and rule of law...The highly specialized training for both civilian police services and judicial services provided to these three governments, both in a war zone, along with the equipment necessary to perform their functions, precludes the possibility of a quick competition or substitution of the current contractor. The expected time required for the full competitive solicitation for the new contract is approximately 12 months. The delays in getting successor contracts in place result from frequent changes in program content as well as changes in USG [U.S. Government] policy instituted by the new administration.”

Regarding the market research conducted to find alternative sources prior to the extensions, the contract documents state that due to the specialized nature of the services, training, locations, and the transition period that would be required, market research was minimal and involved using the U.S. General Services Administration’s Mission Oriented Business Integrated Services consulting services schedules. The documents further state that the schedules include companies that provide judicial support services and development and training services but do not provide those services overseas. Moreover, the labor rates for the consultants on the schedules were consistent with the current DynCorp contract rates.

## **Largest Task Order Was Awarded As Exception to Fair Opportunity Provisions; Most Recent Task Orders Provided for Fair Opportunity**

Because three companies are under indefinite-delivery contracts to INL for the law enforcement/rule of law services, task order awards fall under FAR provision 16.505(b)(1)(i),

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<sup>10</sup> FAR 6.302-2, related to unusual and compelling urgency, states that when an agency’s need for the supplies or services is of such an unusual and compelling urgency that the government would be seriously injured unless the agency is permitted to limit the number of sources from which it solicits bids or proposals, full and open competition is not necessary. The statutory authority requires agencies to request offers from as many potential sources as is practicable under the circumstances.

“Fair Opportunity.” As such, contracting officers must provide each awardee a fair opportunity to be considered for each order exceeding \$3,000 except as provided in FAR 16.505(b)(2). The exceptions include: urgency where fair opportunity would create unacceptable delays, only one awardee is capable of providing the supplies or services, economy and efficiency because it is a logical follow-on to a task order, or to satisfy a minimum guarantee.

### ***Task Order 1436 Was Exception to Fair Opportunity***

According to the AQM contract officer, Task Order 1436 was awarded under the provisions of FAR 16.505(b)(2). Although the FAR, subpart 4.8—Government Contract Files, states that the files should be sufficient to provide a complete background as a basis for informed decisions at each step in the acquisition process, we could find no written support for the exception to fair opportunity in the contract or task order files. According to the AIJS COR, it is not surprising that we could not find supporting documentation because contract decisions during the early years of the contract were not well documented. He indicated that his office has had similar problems in locating documents related to the task order.

The initial performance period for the task order was from October 23, 2004, through January 16, 2005. The task order performance period was extended through various modifications to May 31, 2008.

### ***Task Order 4761 Provided for Fair Opportunity***

Contractors were provided a fair opportunity for award of Task Order 4761. Requests for proposals were solicited from all three companies, and all three submitted proposals. A technical evaluation panel that comprised representatives from the Office of Iraq Programs and AIJS reviewed the proposals and determined that DynCorp and CPI had the highest scores. The panel rated the three proposals based on 46 factors distributed among 5 subtasks. The subtasks related to the contractors’ ability to provide: police, judicial, and correctional advisors (subtask 1); life and mission support for the advisors, such as lodging, subsistence, security, and communications (subtasks 2, 3, and 4); and common requirements, such as invoicing and transition plans (subtask 5). Based on the proposals, the panel recommended that the award be split between DynCorp and CPI. Specifically, DynCorp would be responsible for providing police advisors, life and mission support for all advisors (police, judicial, and correctional), and DynCorp’s common requirements. CPI would be responsible for providing judicial and correctional advisors and its common requirements.<sup>11</sup> The contracting officer accepted the panel’s recommendation.

Upon completion of the technical evaluation, DynCorp and CPI were asked to submit revised proposals that reflected the contracting officer’s intent to split the award. The two companies submitted the revised proposals, which were evaluated based on cost and price. The independent government estimate for the combined price of both contractors was 54% higher than the contractors’ proposed prices.

The period of performance for Task Order 4761 is from April 30, 2008, through February 28, 2010. According to an AIJS official, the task order will likely be extended to ensure that services continue to be delivered until new contracts are awarded.

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<sup>11</sup> According to AIJS officials, the provision to have CPI provide correction advisors was not exercised.

***Task Order 7229 Provided for Fair Opportunity***

The award of Task Order 7229 for the renovation and expansion of villas for judicial advisors provided for fair opportunity. Requests for proposals were solicited from all three contractors, but only DynCorp and Pacific Architects & Engineers-Homeland Security Corporation submitted proposals. A technical evaluation panel that comprised representatives from the Office of Iraq Programs and AIJS reviewed the proposals and determined that DynCorp's proposal was technically superior and price-advantageous to the government.

The initial task order performance period was from October 1, 2008, through December 31, 2008. In April 2009, INL requested additional work and the period of performance was extended to June 2, 2009. According to AIJS personnel, the work was completed in June 2009.

# Oversight of Iraq Task Orders Is Weak

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The ICORs play a crucial role in overseeing DynCorp's invoices, property management, lease agreements, and overall performance on the task orders. During the initial years of the concluded Iraq task orders, INL had only one ICOR, which was grossly inadequate to properly oversee the task orders. As a result, INL has no confidence in the accuracy of payments of more than \$1 billion to DynCorp and is reconciling 100% of DynCorp's historical invoices related to Iraq. However, personnel shortages, high error rates on invoices, and poor or missing support documentation have delayed the reconciliation process.

Although INL increased its number of ICORs, oversight continues to be weak because both the number of ICORs and the guidance provided to those ICORs are insufficient. ICORs repeatedly said that they were understaffed. Three were in Iraq at the time we performed our audit. Our limited tests of controls over invoices found problems that could have been uncovered through proper oversight. For example, since December 2006 the government had rented two generators for a total of \$450,000 when the requirement could have been satisfied with generators in stock. The lease had been renewed every 6 months, without question, until we raised the issue with the ICORs.

DynCorp provides various types of equipment under the contract that must be controlled, preserved, protected, and maintained.<sup>12</sup> The ICORs are responsible for ensuring that DynCorp is properly exercising its responsibilities pertaining to the control of equipment. This includes periodic checks of DynCorp's inventory controls. The ICORs told us, however, that they do not have time to perform the periodic checks and rely on DynCorp to report problems.

INL has paid for leased facilities in Iraq to house advisors provided by DynCorp and other organizations as well as to store equipment. During our work in Iraq, we found that some lease arrangements raise serious questions about the role of the ICORs in lease negotiations and INL's oversight of the lease agreements. For example, we found that an ICOR was involved in a lease negotiation and also prepared the independent cost estimate.

Quality assurance inspections are an integral part of oversight. Although INL has a detailed quality assurance surveillance plan in its statement of work for Task Order 4761, it has had no resources in Iraq since October 2008 to implement that plan.

Task Order 4761 specifies qualifications for the various police and border patrol advisor positions DynCorp is required to fill. We found that DynCorp's process for screening and selecting advisors and INL oversight of the process help ensure that task order requirements are met.

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<sup>12</sup> Includes weapons, vehicles, and medical, food services, and personal protection equipment.



## **In-country Contracting Officer Representatives Are Essential for Oversight**

As mentioned earlier, INL staff shortages, especially in overseas positions, led to serious oversight problems, which were described in the July 2005 DoS Office of Inspector General's report, the January 2007 joint audit report by SIGIR and DoS' Office of Inspector General on Task Order 0338, and the April 2007 testimony by the Assistant Secretary of State, INL. In responding to the January 2007 joint report, INL stated that it had selected ICORs for Iraq, they were undergoing the clearance process, and their duties and responsibilities were detailed in their appointment letters. The appointment letters state that the ICORs' responsibilities include: defining project requirements and developing statements of work or specifications; assisting in the preparation of purchase requests used to formulate contract modifications and/or task orders; monitoring contractors' technical progress and the expenditure of resources relating to the contracts; performing government inspections and reviews; reporting costs being incurred that are not appropriately chargeable to the contracts; and validating contractors' invoices, to include associated receipts for goods or services submitted by the contractor for payment.

Prior to early 2007, INL had only one ICOR overseeing the Iraq task orders. Since March/April 2007, INL has had a maximum of four permanently-assigned ICORs at any one time in Iraq. Three ICORs have been assigned since March/April 2007. The fourth ICOR arrived in January 2008 and was replaced in August/September 2008 by another ICOR who left about a year later for Afghanistan. According to AIJS officials, efforts are underway to increase the number of ICORs in Iraq to 11.

## **Weaknesses in Invoice Validation Process Continue**

DynCorp invoices are complex because of the billing structure and sheer volume of line items. During the initial years of the concluded Iraq task orders, the sole ICOR did little to no validation of invoices. Because INL had no confidence that it received what it paid for and that what it received was in accordance with the task order and contract, INL is performing a 100% reconciliation of those invoices. However, staff shortages, errors on invoices, and poor documentation are delaying the reconciliation process. Although INL has increased the number of ICORs over the years, the invoice review process continues to have serious weaknesses.

### ***Complex Contract Billing Structure Make Invoice Validation Necessary to Detect Erroneous and Excess Charges***

The DynCorp contract provides for a complex billing structure based on the services provided. For example, labor costs for police advisors and some support personnel, such as interpreters, program management, and medics, are to be billed based on firm-fixed labor rates. Those rates vary by type of specialty, and they have been adjusted over time as option years and contract extensions have been approved. The rates are to include wages, overhead, fringe benefits, general and administrative expenses, and profit/fee. Travel, training, and housing are to be billed on a reimbursable basis and require DynCorp to provide proof of costs. Some services and supplies, such as materials, subcontracts, minor construction, and morale/welfare/recreational activities, are to be billed on a cost-plus fixed-fee basis. Fees include a fixed-fee, material handling fee, overhead rate, and general and administrative expense rate. The overhead and

general and administrative expense rates have also been adjusted over time as option years and contract extensions have been approved.

The billing structure is further complicated in that DynCorp can charge for housing, food, protection, and other in-country services for police advisors as well as other advisors provided by CPI and U.S. government agencies. These services would have to be provided if the military cannot provide them when advisors are collocated with military forces. Moreover, advisors are in multiple locations in Iraq, and those locations as well as the number of advisors at those locations have changed and continue to change over time.

The invoice validation process is further complicated by the sheer volume of line items on the invoices. We reviewed a few invoices that had thousands of line items, including salaries for individuals, purchased items and supplies, leases, travel costs such as airline fares, and housing.

### ***Staff Shortages, Errors, and Poor Documentation Delay Reconciliation of Historical Invoices***

According to an AIJS official, during most of the period DynCorp was billing for Task Orders 1436, 0338, and other task orders awarded earlier in the contract, the sole ICOR was approving all DynCorp invoices without questioning their accuracy. As a result, INL has no confidence in the accuracy of over \$1 billion in charges and is now performing a 100% reconciliation of all INL-funded, Iraq-related invoices prior to October 2006.<sup>13</sup> In April 2007 testimony, the Assistant Secretary of State, INL, stated that the reconciliation process would take 3 years. In October 2007, SIGIR was told that although the reconciliation effort began in April 2006, progress had been slow because a limited number of personnel were devoted to the effort and that the reconciliation process would take 3 to 5 years for 11 personnel to review and validate invoices that were paid prior to October 2006. In October 2007, INL officials stated that INL was working to obtain 10 detailees from the Defense Finance and Accounting Service and other agencies to assist INL staff with invoice reconciliations. According to the officials, seven detailees had been accepted, and INL was in the process of selecting the three remaining applicants. AIJS officials said in August 2009 that seven individuals were working on invoice reconciliations for the various task orders—two on Iraq, two on Afghanistan, two on Jordan, and one on reconciling payments to the DoS financial systems—and plans to bring on more individuals to reconcile invoices had been hampered by funding constraints. However, another AIJS official noted that funding had been approved to increase staffing to 10 personnel. We learned in December 2009 that only five individuals remained on the reconciliation team to complete the task.

The reconciliation is adversely affected not only by a shortage of personnel to examine invoices but also by high error rates on invoices and poor or missing support documentation. AIJS personnel said that the plan was to review 100% of the invoiced items except for labor charges. However, because tests of labor charges proved to show a high error rate, AIJS decided to review 100% of the charges. Regarding poor documentation for charges, we were told that a review of some 3,000 timesheets for Task Order 0338 found that 93% had not been signed by a supervisor and 50% to 60% had not been signed by the employees. According to an AIJS official, INL will request reimbursement for the unsupported labor charges. DynCorp employees are working with AIJS personnel to find missing support documents.

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<sup>13</sup> INL stated that it began addressing contract management and oversight in Iraq beginning in October 2006.

To assist in the reconciliation effort, INL requested that the Defense Contract Audit Agency (DCAA) review direct labor and cost reimbursable elements for Task Order 1436. Regarding direct labor charges, the audit is to determine whether the hours charged match the hours on timecards and the rates charged agree with the contract rates. For reimbursable items, the audit is to determine whether the charges are allowable under the contract/task order and supportable. Finally, for the cost reimbursable items, DCAA auditors are to compare the billed costs to the audited and/or provisional indirect rates to ensure these have not been overbilled. The audit was underway at the time we completed our work in December 2009.

### ***DynCorp Invoice Preparation and Review Process***

DynCorp compiles invoices from various sources. For example, DynCorp records time worked by advisors in its Time and Labor System, which is used to compute labor charges. Labor charges for all police and border patrol advisors, who do not have security clearances, are received from its partially-owned subsidiary in Dubai, the DynCorp International Free Zone,<sup>14</sup> and procurement costs are accumulated by various DynCorp systems depending on the type and location of purchases.

According to DynCorp representatives, DynCorp has a number of internal controls to ensure that its invoices are accurate. For example, employees' supervisors must approve time charges before they can be submitted; travel costs must be accompanied by authorized leave request forms, travel orders completed by the travel department, and airline tickets; housing costs under lease agreements require approved purchase requests, purchase orders, and vendor invoices; all costs are reviewed against proposals and statements of work; and all materials and services purchased through subcontractors require approved purchase requests, delivery receipts, and invoices. DCAA reviewed DynCorp's billing, labor accounting, and information technology control systems and reported significant internal control deficiencies.<sup>15</sup> According to DCAA officials, DynCorp submitted corrective action plans and asserts that the actions have been taken. DCAA reviewed the action plans and determined that DynCorp's proposed actions had the potential to address the identified conditions if implemented and monitored properly. However, DCAA considers the controls to be inadequate until corrective actions have been completed and an audit verifies that actions have been effectively implemented. DCAA plans to review the systems and corrective actions in fiscal year 2010. According to DCAA officials, DynCorp's senior management has taken significant interest in fixing the problems.

### ***INL's Validation Process for Current Invoices Continues to Have Serious Weaknesses***

As mentioned earlier, the sole ICOR approved DynCorp invoices for Task Orders 1436, 0338, and others awarded earlier in the contract without questioning their accuracy. As a result, INL has no confidence that the invoices are accurate and has undertaken an effort to reconcile them.

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<sup>14</sup> According to DynCorp representatives, the advisors are employed by the Dubai subsidiary, which charges DynCorp for their services. Also, according to the representatives, U.S. employees with security clearances must be employed by a U.S.-based company.

<sup>15</sup> *Report on Audit of Billing System*, Audit Report No. 03181-2009D11010001, 4/23/2009. *Report of Labor Accounting System and Internal Controls*, Audit Report No. 03181-2007D13010001, 3/18/2009. *Report on Audit of Contractor Information Technology (IT) General Internal Controls*, Audit Report No. 3311-2006Q11510001, 4/17/2007.

Although three ICORs were in Iraq at the time of our audit, only one was responsible for validating invoices for Task Order 4761, which had obligations of almost \$800 million. The only guidance we found pertaining to invoice validation was an invoice review checklist that the ICOR is to submit to AIJS with the invoice. The checklist has 18 questions to which the ICOR must answer yes, no, or not applicable. Examples of questions are: Were the correct labor rates used and calculated correctly?; Were travel costs calculated correctly and are they properly documented?; and, Are all costs submitted on the invoice included in the awarded task order? If the answer to any question is no, the invoice is to be rejected.

We found serious weaknesses with the ICOR's validation process. For example:

- The ICOR said that his validation of payroll charges consists of comparing the names of employees listed on two documents provided by DynCorp headquarters: the employee roster and the invoice. He also said that he had not tested the accuracy of the employee roster by verifying that the employees shown on the roster for a location were actually there. During our visits to sites where employees are located, we visually tried to verify that the individuals listed on the headquarters roster were there or could be accounted for through other means such as documented authorized time off. Through this check, we found that the roster provided by DynCorp headquarters was not current in that some advisors listed on the roster had been transferred. When we informed DynCorp representatives of our findings, they agreed that the headquarters roster was not up to date and that the roster maintained at the installation was correct. They agreed to make changes to ensure the headquarters roster is corrected. The ICOR was unaware of the inaccuracies in the headquarters roster and had been comparing an incorrect roster to invoices without discovering the discrepancy. We tested the accuracy of the rosters maintained at the installations and found that the individuals listed were either there or could be accounted for through other means.
- The ICOR had not performed other checks to determine payroll accuracy. For example, he had not verified that the individuals were entitled to pay for days claimed.<sup>16</sup> Our comparison of timecards with authorized time off documents showed that some individuals had been overpaid while others had been underpaid. When we informed DynCorp officials, they agreed with our findings, have undertaken a 100% review of timecards submitted since July 2008 (the start of Task Order 4761), and have instituted other processes and training to help prevent this problem from occurring in the future. As of November 2009, DynCorp's review of timecards had just started and had found a 30% error rate at a few locations and that 75% of the errors were overpayments to individuals.
- The ICOR said that he does not compare, even on a test basis, individuals' pay rates to the rates specified in the task order but relies on DynCorp to get it right. Nevertheless, on some of the invoice review checklists, he had answered yes to the question—Are the correct labor rates being used and calculated correctly? When questioned about his answer, he stated that he considers his reviews to be preliminary and that others in AIJS or AQM verify the rates and calculations. We did not determine whether the pay rates

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<sup>16</sup> While in Iraq, an individual is entitled to his/her daily salary. When an individual leaves Iraq for authorized time off, he/she is entitled to their pay for the day of departure and the day of return. The individual is not entitled to their pay for the other authorized days off.

DynCorp had charged were correct and believe this process would be involved because, as mentioned earlier, the rates vary by type of specialty; have been adjusted over time as option years and contract extensions have been approved; and include overhead, fringe benefits, and other items.

- Because timesheets submitted under earlier task orders often were not signed by the employee and/or supervisor, we asked DynCorp if it had corrected the problem for Task Order 4761. DynCorp representatives said that timesheets for Task Order 4761 are entered into DynCorp's Time and Labor System which automatically records an employee's signature when the employee submits the timesheet to the supervisor and automatically records the supervisor's signature when that individual submits the timesheet. We validated the DynCorp employees' statements. We found problems with the controls in the Time and Labor System in that supervisors can elect to approve all timesheets at once rather than individually. When we informed DynCorp representatives of this situation, they said that they would emphasize to supervisors in training that they should approve each timecard individually. We informed the ICOR of this weakness in controls and emphasized to him that individual approval would require the supervisor to at least consider the time charges being approved.
- INL has been leasing two generators for villas at a camp in Erbil since December 2006 at a total cost of \$450,000 even though generators were in inventory. The lease, which has been renewed every 6 months, is scheduled to end in February 2010. The cost of the lease for the first 6 months was \$66,000, and the total cost of the lease from December 2006 through February 2010 is \$450,000. According to the landlord's business representative, the landlord initially offered to lease the generators at \$11,000 per month or to sell the generators for \$39,000 each, or \$78,000 total, but INL chose to lease the equipment.<sup>17</sup> The ICOR stated that he was unaware of the lease arrangement for the generators even though DynCorp submitted invoices for the leases. Another ICOR stated that the requirement for the generators could have been satisfied from generators in stock, negating the need for their lease or purchase. We later learned that the ICORs had instructed that two in-stock generators be moved to the camp in Erbil.
- INL was paying for two security teams in the Kurdish region at a camp in Sulaymaniah to protect six corrections advisors. One team, comprising 16 DynCorp personnel, was assigned in June 2009 at the request of an ICOR. DynCorp representatives in the area indicated that the security team was unneeded since the region is very safe, but an ICOR had instructed that the security team be transferred to the area. The DynCorp representatives stated that police advisors travel with no protection. According to an AIJS official, a generic DynCorp security team consisting of 13 personnel (which is smaller than the team assigned to Sulaymaniah) costs about \$4.54 million per year, which includes lodging and other support costs. After we raised the issue with an ICOR, he said that he had recommended that INL relocate the DynCorp security team from Sulaymaniah since INL was also paying for a security team provided by Janusian Security Risk Management, LTD, under a subcontract with DynCorp to protect the same corrections advisors. An AIJS official told us that the Janusian security team at that camp costs about \$546,000 annually.

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<sup>17</sup> In 2007, the cost to lease the two generators increased to \$12,000 per month.

The ICOR said that he simply did not have the time to validate the invoices and relies on individuals within AIJS to perform the validation. In late November 2009, we learned that he was reviewing and processing about 100 invoices before going on leave in mid-December. The one individual in AIJS who is assigned responsibility for reviewing and processing current invoices said he relies on the ICOR to validate the invoices. AIJS includes the group that is responsible for reviewing all historical invoices. However, as mentioned previously, that group is already behind schedule in reviewing invoices that are several years old.

## **ICORs Exercise Limited Oversight of Property Management**

Under its contract, DynCorp provides various types of equipment that must be controlled, preserved, protected, and maintained. The ICORs are responsible for ensuring that DynCorp is properly exercising its responsibilities. Those responsibilities include periodic checks of DynCorp's inventory controls. The ICORs noted that they do not have time to perform the periodic checks and rely on DynCorp to report problems. However, the ICORs have participated in yearly inventory reviews. In our tests of inventories for high-value and sensitive items such as weapons, generators, and vehicles, we either located all items or DynCorp representatives satisfactorily explained why the items were unavailable for us to see. We brought to the ICORs' attention other issues related to property management, such as a large backlog of property to be disposed of or destroyed.

### ***Contract and Task Order Requirements***

The contract specifies that DynCorp may be required to provide various types of equipment,<sup>18</sup> supplies, and facilities to support the program in Iraq. The government equipment, which is either provided by the government or purchased for the government, is to be managed according to the requirements of FAR 52.245. The regulation requires the contractor to control, preserve, protect, repair, and maintain U.S. government property in its possession. FAR 45.105(a) states that the agency responsible for contract administration shall conduct an analysis of the contractor's property management policies, procedures, practices, and systems. The DoS Foreign Affairs Handbook requires DoS property managers to conduct annual inventory audits.

The statement of work for Task Order 4761 requires DynCorp to establish an automated inventory management system to track accountable government-furnished property and contractor-purchased equipment and supplies. The statement also requires DynCorp to provide monthly inventory reports of all accountable property to the ICORs and COR. According to INL, an ICOR must approve all purchases of equipment before DynCorp makes the purchase.

As part of quality assurance/quality control, DynCorp and the ICORs are required to conduct random unannounced inventories of selected line items, and the contractor is to conduct additional inventory reviews at the direction of the ICORs. DynCorp property managers must also review 10% of the non-sensitive inventory items and 100% of the sensitive items (e.g., weapons, ballistic vests) every month. The contractor is required to immediately report to the ICORs and COR any loss, suspected loss, or damage to accountable property. Under the COR's direction, the contractor is to investigate the circumstances of the loss or damage and recommend disciplinary action and procedures to prevent recurrence.

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<sup>18</sup> Such as weapons, vehicles, and medical, food services, and personal protection equipment.

### ***DynCorp Property Management System Found to be Satisfactory by Defense Contract Management Agency***

According to DynCorp representatives, its automated property management system, DynMRO, is a fully-integrated property management system. As such, it can account for equipment and supplies from purchase order to destruction/disposal. The system has been operational since 2007 and has been reviewed by the Defense Contract Management Agency. In September 2009, the Agency found the system acceptable to protect government property. The agency found no major discrepancies, and required no corrective actions.

### ***ICORs Provide Limited Oversight of Property Management***

We confirmed that an ICOR is required to approve all purchase orders, including those for low-cost bench stock items. During November 2009, we learned that the ICOR who had been approving purchase orders had a backlog of over 700 purchase orders to review and approve.

The ICORs said that they perform a 100% annual review of the inventory and were conducting that review as we were completing our audit. During the last review, the ICORs found that DynCorp had made significant progress in accounting for government-held property since the 2008 review. The total net value of the government property managed by DynCorp was about \$145.2 million, and the review found shortages of about \$68,500, or .05%. The 2009 review found property management at several locations in Iraq was excellent and that staff was well trained in DynMRO applications and property accountability. However, the ICORs also found careless property record-keeping, failure to implement DynMRO, and a lack of adequate DynMRO training for logistics staff at some locations. It further found that some of the problems stemmed from DynCorp's failure to perform the required 10% monthly physical inventory reviews. The report recommended improvements. According to DynCorp representatives, DynCorp has corrected some of the problems and is working to correct others. DynCorp provided documents to support most of its corrective actions.

As we traveled to various camps, we performed limited tests to determine whether high-value and sensitive items included in DynMRO were on hand or accounted for. We tested the inventories for weapons, vehicles, generators, containerized housing units, and computers. We either located items in our tests or DynCorp representatives were able to satisfactorily explain why the items were unavailable for us to see. For example, some items had been moved with personnel moves and DynMRO had not been adjusted. We brought the following issues related to inventories to the ICORs' attention:

- At Camp Shield in the Baghdad area, DynMRO contained a large number of items assigned to a DynCorp employee. The items had been purchased with DoD funds by another contractor and were supposed to be transferred to the Government of Iraq. However, previous DynCorp personnel had discovered the items and recorded them in DynMRO as INL property. Although the installation was included in the prior year 100% inventory review, the ICORs were unaware of the problem. The DynCorp logistics manager said that DynCorp would correct the problem.

- At Camp Klecker in the Baghdad area, where items awaiting destruction or disposal are stored, we found a large backlog of such items valued at about \$2 million.<sup>19</sup> DynCorp representatives said that the proper documentation had been prepared and submitted to INL for destruction or disposal of the items, but no action had been taken for months. They were concerned that the ICORs would raise issues with this property as they had in the prior annual audit. We discussed the large backlog with the COR and contracting officer and asked them why no actions had been taken. They said they were unaware of the backlog and would look into it.

The ICORs said that they do not have time to conduct random unannounced inventory reviews of selected line items at the various locations and rely on DynCorp to perform day-to-day checks of the inventories and surface any problem in monthly reports. We learned that the ICOR responsible for reviewing the DynCorp property book had not logged into DynMRO since January 2009.

## **INL's Practices Are Questionable and Oversight of Leased Facilities Is Poor**

INL has paid for leased facilities in Iraq to house advisors provided by DynCorp and other organizations and to store equipment. An ICOR said that INL had a total of six active leases in November 2009. We also learned of other leases that had been terminated. During our in-country work, we learned of some lease arrangements that raise serious questions about the ICORs' role in lease negotiations and INL's oversight of the lease agreements.

The following are examples of lease arrangements that raise questions about INL's oversight responsibilities:

- INL was reimbursing DynCorp for the lease of villas that were renovated and expanded under Task Order 7229. The villas, which are located in the international zone, were rented for \$35,000 a month. In addition, DynCorp is authorized to charge about 11% of the rental price for fees, overhead, and general and administrative expenses. The initial lease was signed in September 2008, and the current lease extends to February 2010. An ICOR said that he helped negotiate the cost of the lease with the property manager. DynCorp prepared the lease agreement. Although the villas have been substantially improved at a cost to the U.S. government of about \$1.4 million, we found no evidence that the price negotiations factored in the cost of the improvements to the property.
- INL reimbursed DynCorp \$747,041 for the lease of a parcel of land in the international zone to be used to establish a camp. The lease was for 15 months from December 2008 through February 2010 but was terminated after only 4 months in March 2009. The monthly rental was \$90,000 to which DynCorp added its 11% for fees, overhead, and general and administrative expenses. According to an ICOR, the lease agreement required that 50% of the total lease cost be paid in advance. He also said that INL had anticipated a need for the land for a number of containerized housing units for individuals that would need to relocate from other installations but that it subsequently determined

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<sup>19</sup> Includes such items as furniture, vehicles, and equipment.



that the land was not needed. The landlord's business representative said that an ICOR helped to negotiate the cost of the lease with the property manager. According to a document in the contract/task order file, the same ICOR prepared the government's independent cost estimate, which simply stated that the cost estimate was \$150,000 per month; no explanation was given as to how that estimate was derived. DynCorp prepared the lease agreement. A contracting officer in the U.S. Embassy's General Services Office who specializes in leases in the international zone told us that the price negotiated for the land appeared excessive and that the ICOR had not consulted with his office concerning the lease arrangement. He further stated that the Embassy had negotiated the lease of a parcel of land in the international zone that is 807,283 square feet at a cost of \$3.75 million per year, or \$4.65 per square foot. The INL lease, which was for 34,510 square feet of land, would have cost \$1.08 million per year, or \$31.30 per square foot. Thus, the lease of the INL parcel would have cost almost seven times as much per square foot as the lease of the Embassy parcel.

- INL was reimbursing DynCorp for the rental of three homes in the international zone. The homes, which varied in size, were used to house advisors. At the time we completed our audit in country in November 2009, INL had 6-month leases for the homes: two for \$15,000 a month and one for \$20,000 a month. Two of the leases were scheduled to end in February 2010 and one was scheduled to end in January 2010. All three leases increased in cost over time. Two of the increases appeared to be excessive. Specifically, the lease for house #6 began in January 2006 at a monthly cost of \$12,000, but in January 2008, the monthly rent increased 67% to \$20,000. The lease for house #22 began in August 2006 at a monthly cost of \$10,000, but in January 2009, the monthly rent increased 50% to \$15,000. We saw no indication that the lease agreements included price escalation clauses that would have limited the increases.
- DynCorp subleased land at Camp Victory in Baghdad for INL to temporarily store containerized housing units until they could be moved. The lease was with the Defense Logistics Support Services Corporation, which had been authorized by the landlord, the Multi-National Corps-Iraq,<sup>20</sup> to sublease the property. The authorization stipulated that the Defense Logistics Support Services Corporation could charge for services (utilities and security) but not for use of the land. INL was charged \$53,400 a month from March 2007 through May 2009 for the services. The services were terminated in May when the containerized housing units were moved to Camp Butler. We were told that the only security for the area in which the housing units were stored was provided by third-country nationals and that the cost of that security would be minimal since the area is within the confines of other secure areas. When we questioned an ICOR as to why he did not review the cost of the lease, he stated that the lease was in effect before he arrived in Iraq. When asked as to why he had not questioned the costs, he had no response. Furthermore, DynCorp did not respond to our requests for details concerning the \$53,400 monthly costs. The COR stated that he was aware of the lease but was unaware of the reasons for the costs and would have an AIJS employee look into the matter.

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<sup>20</sup> This command was subsumed into U.S. Forces-Iraq on January 1, 2010.

## **INL Performs Minimal Quality Assurance Oversight**

Quality assurance inspections are an integral part of oversight. They can help ensure that the government is receiving the services specified in the task order and that the services meet the specified performance standards. DynCorp has implemented a quality control program as required by Task Order 4761. Although INL has a detailed quality assurance surveillance plan in its statement of work for Task Order 4761, it did not have the resources in Iraq to implement that plan.

### ***DynCorp Quality Control Requirements and Activities***

The statement of work for Task Order 4761 requires DynCorp to develop and implement effective quality control and continuous improvement processes to meet or exceed the performance standards established in the statement of work. DynCorp is required to report monthly on its quality control efforts, including a brief description of projects, current quality control activities, major quality control activities accomplished during the period, planned activities for the next period, observed and identified risk areas within the project, and the trend of that risk (improving, worsening, no change) as well as impacts of the risks and risk mitigation recommendations.

DynCorp had a quality control program and had a quality control team of four individuals in Iraq that visited installations and produced monthly quality control reports. The reports for July through September 2009 appeared to conform to requirements in the statement of work. DynCorp representatives noted that DynCorp would be adding three additional personnel to the team.<sup>21</sup>

### ***ICORs Perform Minimal Quality Assurance Oversight***

The statement of work for Task Order 4761, appendix 3, states that INL's Quality Assurance Surveillance Plan is to be used to "assure that systematic quality assurance methods are used in administration of the performance-based requirements." The plan details how and when the government will survey, observe, test, sample, evaluate, and document the contractor's performance in accordance with the statement of work. The stated purpose of the plan is to ensure that INL is receiving the services specified in the task order and that the services meet the performance standards specified in the task order. The plan further states that by employing a fully developed plan, INL and the contractor will "achieve an understanding of performance expectations and how performance will be measured against those expectations." Moreover, a complete and robust plan ensures that all aspects of the task order are measured and receive fair and proper weight in the overall evaluation. Further, the results of the plan evaluation are a direct and significant input on the performance of this task order. The government is to perform scheduled, random, and customer feedback inspections to determine the contractor's compliance with the task order and to assess performance acceptance in conjunction with the plan. The COR/ICOR and their representatives are responsible for inspection and acceptance of services as outlined in the plan.

According to an ICOR, no quality assurance inspections had been performed since October 2008 when INL's quality assurance manager left Iraq. The ICOR also said that he does not have the

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<sup>21</sup> In mid-November 2009, two individuals were added to the team.

staff to conduct formal quality assurance inspections as specified in the quality assurance surveillance plan. Instead, the ICORs said they review DynCorp's monthly quality control reports and perform some quality assurance checks when visiting various sites, but those checks are minimal.

## **Police and Border Patrol Advisor Screening and Selection Process Helps Ensure Task Order Requirements Are Met**

Task Order 4761 specifies qualifications for the various police and border patrol advisor positions DynCorp is required to fill. DynCorp has an established process to screen and select individuals that meet those qualifications and verify details about the individuals. In addition, all applicants must attend a training and evaluation program during which candidates are subjected to physical and psychological assessments, fire arms testing, and interviews. According to DynCorp representatives and INL officials, INL personnel participate in the training and evaluation program and have an opportunity to evaluate the candidates during the program. In addition, INL officials noted that INL personnel review each candidate's resume and must approve the candidate for admission to the program.

### ***Task Order Requirements for Police and Border Patrol Positions***

The statement of work for Task Order 4761 specifies minimum and preferred qualifications for the various police and border patrol positions DynCorp is required to fill. For example, police advisors are to: have a minimum of 5 years of work experience as a state or local law enforcement officer with principal responsibilities for providing police protection and criminal investigation services, including experience as a field training officer; have extensive knowledge of and experience in certain subject areas, such as criminal investigations and patrol operations; have the ability to effectively communicate, advise, and train others; and be free of physical defect(s), disease, or psychological conditions that would render the individual unable to perform critical tasks. Preferably, police advisors would have 2 or more years as a first-line supervisor in a law enforcement organization; specialized training in areas such as firearms and instructor development; and a bachelor's degree from an accredited educational institution in a law enforcement-related field. Border patrol advisors, for example, are required to have 4 or more years of work experience as a U.S. Border Patrol Officer or as an officer within the Bureau of Immigration and Customs Enforcement (or its predecessor agencies); service as a field training officer; and professional knowledge and expertise in modern techniques, operations and related functions of points of entry and border enforcement, and a background in customs and immigration practices. Police advisors are required to be U.S. citizens, whereas border patrol advisors can be from countries that have credentialed border police. These include the United Kingdom, Australia, and Canada.

### ***INL Actively Participated in Advisor Screening and Selection Process***

According to DynCorp representatives, DynCorp has a detailed screening and selection process for police and border patrol advisors. DynCorp representatives stated that applications are screened electronically to ensure that each applicant meets the minimum experience required for the position; applicants are interviewed by a recruiter to verify details about background and experience and to surface disciplinary/criminal issues; information is collected from the

applicant's employer concerning any Internal Affairs investigations and to confirm employment, licensing, and certification; statements concerning education, work history, and criminal/credit history are validated by a third party company; all background information is reviewed by a committee of recruiting supervisors chaired by a retired chief of police; and applicants must attend Police Assessment, Selection, and Training, a 2-week training and evaluation program during which candidates are subjected to physical and psychological assessments, fire arms testing, and interviews.

According to DynCorp representatives and INL officials within the Office of Iraq Programs, INL officials participate in each 2-week training session to inform the candidates of their duties and responsibilities and the conditions they will be subjected to and to assess the candidates. In addition, INL must approve all police and border patrol candidates. According to Office of Iraq Programs officials, that office reviews each candidate's resume to see if the documents raise questions concerning experience. The officials further stated that INL must approve the candidates for admission to the program.

# **Status of Actions to Address Prior Recommendations**

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We could not determine the status of INL's corrective action plan because INL did not provide us with that information. Most of the actions related to recommendations pertaining to Task Order 0338 were on hold at the direction of the Department of Justice. One recommendation pertaining to Task Order 0338 and related to duties and responsibilities of the COR and contracting officer remains open because INL had not taken all of the corrective actions it had previously claimed.

## **Status of INL's Corrective Action Plan**

SIGIR's October 2007 report recommended that INL prepare a coordinated, comprehensive corrective-action plan that would include the various contract-management improvement initiatives within AIJS. SIGIR's April 2008 report stated that INL had prepared a plan using Microsoft Project and that the plan included start and finish dates for the initiatives. The report also stated that, according to INL, the project manager and executive director had approved the AIJS priority tasks, time frames, and resources needed for accomplishing the comprehensive plan and that the items were due for formal approval by INL's principal deputy assistant secretary and assistant secretary.

Despite repeated requests for information concerning the status of INL's corrective action plan, INL did not provide the information.

## **Status of Prior Recommendations Pertaining to Task Order 0338**

SIGIR's April 2008 report found that corrective actions on the recommendations were in process. The following paragraphs present updated information on INL's implementation of those recommendations:

***Recommendation on 1,040-person residential camp:*** Present to the U.S. Ambassador to Iraq a plan for review and approval of the use of the residential camp to house police trainers, as originally intended, or of the disposal of the facility.

**Prior Status:** Corrective actions were in process. INL had conducted an inventory of all 1,181 trailers associated with the camp, had transferred 495 residential trailers to the Bureau of Overseas Building Operations for use at the U.S. Embassy in Baghdad, and was in the process of transferring the remaining trailers for use for a 500-person residential camp at the Baghdad International Airport. Construction on that camp, scheduled for use by police trainers and support personnel, was scheduled to begin in April 2008.

**Current Status:** During October 2008, DoS Office of Inspector General personnel visually inspected the residential trailers and associated support facilities at the U.S. Embassy Baghdad. In addition, we visually inspected and accounted for trailers at the Embassy and camps we visited.

***Recommendation on disputed payments:*** Seek reimbursement from DynCorp for the improperly-authorized \$4.2 million payment for contractually unauthorized work directed by the Iraqi Ministry of Interior. This work included the relocation of the residential camp, the manufacture of additional trailers for very-important-persons, and the construction of an Olympic-size swimming pool.

**Prior Status:** Corrective actions were in process. In response to a June 2007 demand letter issued by the Office of Acquisition Management to DynCorp for \$4,060,959, DynCorp disagreed and contested the office's position that the work was unauthorized and improper. The company stated that the previous contracting officer and the COR had authorized the work. INL was reviewing documents that DynCorp provided to support its position.

**Current Status:** In April 2008, INL disputed the DynCorp reply. Subsequently, INL was notified by the Department of Justice to temporarily suspend any collection effort due to a related case.

***Recommendation on invoice reviews:*** Request that DCAA review two DynCorp invoices: one dated July 30, 2004, which included a residential-camp mobilization fee, to determine whether a prepayment of \$18.0 million occurred, and a second one dated October 30, 2006, for approximately \$1.1 million pertaining to labor costs associated with Task Order 0338. On receipt of the DCAA audit report, the contracting officer should take the appropriate action.

**Prior Status:** Corrective actions were in process. INL was reviewing the DCAA reports on the two invoices and DynCorp's response to those reports.

**Current Status:** Regarding DCAA's review of the labor costs, DCAA questioned \$162,869 because DynCorp billed for labor hours for which it did not pay its workers. This questioned cost is based on a sample of 21 out of 413 employees who charged hours to a particular contract line item. As with the previous recommendation, INL was notified by the Department of Justice to temporarily suspend actions due to a related case.

***Recommendation on duties and responsibilities:*** Enforce procedures to ensure that the contracting officer and COR comply with duties and responsibilities as identified in the DoS Foreign Affairs Handbook. These procedures should address the following matters: receiving and retaining technical and financial reports; examining invoices and supporting documentation before certification for payment; processing "receiving and inspection reports" for equipment; and maintaining a COR file.

**Prior Status:** Corrective actions were in process. According to INL:

- a) The COR was retaining financial and technical reports.
- b) AIJS was rejecting all invoices not properly supported or not in agreement with all terms and conditions in the contracts. It reported that it had rejected invoices amounting to more than \$260 million from contractors in Iraq and Afghanistan. It

further reported that rejected invoices are often corrected and resubmitted for lesser amounts, resulting in savings of \$5.6 million to date.<sup>22</sup>

- c) It had completed a 100% weapons-accountability check. In addition, it routinely requires monthly accountability reports from contractors for weapons and other equipment and makes spot checks to verify the reports. Moreover, the contract files were fully compiled and organized by country, contract, and invoice number.

**Current Status:** INL had not taken all of the corrective actions it previously claimed. As discussed earlier in this report, it was not performing a thorough enough review of current invoices to identify and reject invoices not properly supported or not in agreement with the terms and conditions of the contract. Regarding equipment, the ICORs were not spot-checking DynCorp monthly accountability reports. Moreover, the contract files were incomplete. Therefore, we consider this recommendation open.

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<sup>22</sup> According to INL, the savings applied to both Iraq and Afghanistan.

# **Conclusions, Recommendations, and Lessons Learned**

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## **Conclusions**

INL continues to exhibit weak oversight of the DynCorp task orders for support of the Iraqi police training program. INL lacks sufficient resources and controls to adequately manage the task orders with DynCorp. As a result, over \$2.5 billion in U.S. funds are vulnerable to waste and fraud. The ICORs, who are critical to overseeing DynCorp's performance and expenditures under the current task order, do not perform adequate reviews and tests to ensure that (1) the costs submitted by DynCorp on invoices are allowable under the contract/task order, supported by appropriate documentation, and correct; (2) U.S. government property managed by DynCorp is adequately controlled; (3) lease agreements negotiated on behalf of the U.S. government protect the government's interests; and (4) the U.S. government receives the services at the performance standards specified in the task order. As DoS takes responsibility for the police training program from DoD in 2011 and DoS continues to oversee contracts costing the American taxpayers hundreds of millions of dollars, it will be critical for DoS to have in place effective management and controls of those contracts to ensure that U.S. funds are effectively and efficiently spent.

Inadequate resources and controls is not a new problem. As early as 2005, INL was told that its staffing had not increased commensurate with its workload and that it needed to strengthen its oversight of the contracts for Iraq and Afghanistan. In 2007, INL was again told that its poor oversight of the contract for Iraq had put millions of dollars at risk. In a hearing and in responses to audit reports, INL officials have repeatedly stated they recognized the problems and had initiatives to increase staff and improve management and oversight of the contract for Iraq. However, INL has fallen far short on those initiatives.

INL stated that it plans to increase the number of ICORs in Iraq to 11—there were 3 in November 2009. However, the ICORs need additional guidance to clearly specify their responsibilities and more oversight to determine what they are or are not doing. Until that guidance is developed and implemented, INL is in no position to accurately determine how many additional ICORs it needs. SIGIR believes that more than 3 ICORs are needed but does not believe INL has demonstrated it needs 11.

Because of weak oversight of the DynCorp contract in Iraq from its start in 2004, INL is reconciling all historical invoices. Although SIGIR was told in October 2007 that the reconciliation effort would take 3 to 5 years to complete by a full complement of 11 personnel, the reconciliations will likely take longer because INL has not fully staffed the effort. In addition, reconciliation efforts have been adversely impacted by high error rates on invoices and poor or missing support documentation. Moreover, the workload will likely increase because of the problems found with the current invoice review process.



## **Recommendations**

Because weak contract administration and oversight have been long-standing issues that INL has not corrected, SIGIR recommends that the Deputy Secretary of State for Management and Resources, take the following actions:

1. Direct an immediate examination of the Afghanistan, Iraq, Jordan Support Division's personnel and operations to determine if the Division is structured, staffed, and managed to effectively and efficiently oversee the contracts under its responsibility. The results of this examination should be provided to the authorization and appropriations committees of the Congress.

Until such an examination can be conducted and to improve contract administration and oversight, SIGIR further recommends that the Assistant Secretary, Bureau of International Narcotics and Law Enforcement Affairs, direct the Chief of the Afghanistan, Iraq, Jordan Support Division take the following actions:

2. Develop detailed guidance for the ICORs that specify their responsibilities and ways they can fulfill those responsibilities.
3. Assign specific responsibilities to each ICOR, and have each provide reports on actions taken to fulfill assigned responsibilities.
4. Determine how many ICORs are needed to accomplish assigned responsibilities, and request positions to fill those needs.
5. Determine how many additional personnel are needed to review and validate historical invoices within the next 2 years and request positions to fill those needs.

## **Lessons Learned**

Because INL relies on contractors for assistance in implementing police training programs in other countries, such as Afghanistan, it needs to consider the adequacy of its oversight mechanisms in those countries. Recommendations 2, 3, and 4 could be applicable to ICORs in those countries.

## **Management Comments and Audit Response**

INL agreed with SIGIR's recommendations. It did not agree with SIGIR's position that \$2.5 billion in U.S. funds are vulnerable to waste and fraud. Because of the serious control weaknesses identified in this and prior audits, SIGIR maintains its position.

# Appendix A—Scope and Methodology

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## Scope and Methodology

In June 2009, the Special Inspector General for Iraq Reconstruction (SIGIR) initiated Project 9025 to audit the Department of State's (DoS) oversight of the DynCorp International task orders that support the Iraq Police Training Program managed by the Multi-National Security Transition Command-Iraq.<sup>23</sup> SIGIR's objectives for this report were to examine: (1) the cost, funding, and award process for Task Orders 1436, 4761, and 7229; (2) DoS oversight of DynCorp-provided services for the three task orders; and (3) the status of INL's implementation of prior recommendations pertaining to Task Order 0338 as well as overall contract management and oversight. SIGIR performed this audit under the authority of Public Law 108-106, as amended, which also incorporates the duties and responsibilities of inspectors general under the Inspector General Act of 1978. SIGIR conducted its work during July through December 2009 in Baghdad, Erbil, and Sulaymaniah, Iraq; the Washington, D.C. area; and Fort Worth, Texas.

To determine the cost and funding for the three task orders, SIGIR requested the detailed cost data and funding source from the Bureau of International Narcotics and Law Enforcement Affairs (INL). We initially requested the detailed cost data during our entrance meeting in early July 2009 and made repeated requests during subsequent months. INL did not provide the data until early January 2010. Our preliminary analysis of the data raised questions which could not be resolved in time for inclusion of the data in this report. SIGIR will continue to pursue those questions with INL.

To evaluate the award process, SIGIR examined available documents pertaining to (1) the government's evaluations of the contractors' proposals, (2) the contractors' proposals, and (3) DoS' justifications for the task order awards.

To determine DoS' oversight of the task orders, SIGIR reviewed the contract and task order provisions. We gained an understanding of DynCorp's internal controls by reviewing pertinent documents and conducting discussions with DynCorp and Defense Contract Audit Agency (DCAA) personnel in Fort Worth, Texas. In Iraq, we discussed with the In-country Contracting Officer Representatives (ICOR) their oversight procedures and practices related to invoices, property management, lease agreements, and DynCorp's overall performance. As we traveled to various camps, we performed tests to determine whether personnel listed on rosters for a location were actually there and whether equipment listed on the property book could be accounted for. At some camps, we verified 100% of the personnel and high dollar value or sensitive equipment items, such as vehicles, weapons, generators, and containerized housing units. At other camps, due to time constraints and/or the camp size, we verified a judgmental sample of personnel and equipment. We discussed the results of our tests with DynCorp representatives and the ICORs.

To evaluate payroll accuracy, we compared a sample of timecards for individuals who requested time off to the authorized time off documents. We found discrepancies between the number of

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<sup>23</sup> This command was subsumed into U.S. Forces-Iraq on January 1, 2010.

days individuals were paid and the number of days they were entitled to be paid. We discussed these discrepancies with DynCorp representatives and the ICORs.

To evaluate INL's quality assurance program, we reviewed INL's quality assurance plan in the statement of work for Task Order 4761. We discussed the implementation of the plan with the ICORs and reviewed several ICOR trip reports to determine the extent of their quality assurance efforts. We discussed DynCorp's quality control program with DynCorp representatives and reviewed DynCorp quality assurance reports.

To evaluate INL's oversight of leases, we obtained copies of active leases from DynCorp representatives. We discussed the leases with DynCorp representatives and the ICORs. In addition, we discussed some of the leases with the landlords' representatives. Moreover, we discussed one lease with a contracting officer in the U.S. Embassy's General Services Office who specializes in leases in the international zone.

To determine the current status of INL's implementation of prior recommendations, SIGIR used information obtained from the DoS Office of Inspector General and INL and performed some tests in Iraq.

We are aware of the Government Accountability Office's (GAO) recent findings regarding DCAA's audit quality including the compromise of auditors' independence, insufficient audit testing, and inadequate planning and supervision. We are reporting on the factual information contained in DCAA reports that relate to our audit work; however, due to the nature of GAO's findings we are not relying on solely DCAA's findings or lack thereof.<sup>24</sup>

SIGIR's audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Use of Computer-processed Data**

We obtained time and attendance, roster, and inventory data from DynCorp. We performed limited tests to determine if the data were correct. When we found discrepancies, we informed DynCorp officials and the ICORs.

## **Internal Controls**

We reviewed the specific controls that INL used to manage the Iraq task orders under its contract with DynCorp. These included controls of DynCorp's invoices, government property, lease agreements, and DynCorp's overall performance under the task orders. The report focuses on weaknesses in those controls and provides recommendations for improving them.

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<sup>24</sup> *Defense Management: Widespread DCAA Audit Problems Leave Billions of Taxpayer Dollars Vulnerable to Fraud, Waste, Abuse, and Mismanagement*, GAO-10-163T, 10/15/2009. *DCAA which include DCAA Audits: Widespread Problems with Audit Quality Require Significant Reform*, GAO-09-468, 9/23/2009.

## **Prior Coverage**

We reviewed the following applicable reports issued by SIGIR, the Department of State and Broadcasting Board of Governors' Office of Inspector General, and the Defense Contract Audit Agency.

### ***Special Inspector General for Iraq Reconstruction***

*Progress on Recommended Improvements to Contract Administration for the Iraqi Police Training Program*, SIGIR 08-014, 4/22/2008.

*Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program*, SIGIR 07-016, 10/23/2007.

*Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support*, SIGIR 06-029 and DoS-OIG-AUD/IQO-07-20, 1/30/2007.

### ***U.S. Department of State and the Broadcasting Board of Governors, Office of Inspector General***

*Report of Inspection, Bureau of International Narcotics and Law Enforcement Affairs*, ISP-I-05-14, 7/2005.

### ***Defense Contract Audit Agency***

*Report on Audit of DynCorp International LLC (DI) Control Environment and Overall Accounting System Internal Control Activities*, Audit Report No. 3181-2007D11070001, 10/15/2009.

*Report on Audit of Billing System*, Audit Report No. 03181-2009D11010001, 4/23/2009.

*Report of Labor Accounting System and Internal Controls*, Audit Report No. 03181-2007D13010001, 3/18/2009.

*Report on Audit of Contractor Information Technology (IT) General Internal Controls*, Audit Report No. 3311-2006Q11510001, 4/17/2007.

## Appendix B—Acronyms

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Acronym	Definition
AIJS	Afghanistan, Iraq, Jordan Support Division
AQM	Office of Acquisition Management
COR	Contracting Officer Representative
CPI	Civilian Police International
DCAA	Defense Contract Audit Agency
DoD	Department of Defense
DoS	Department of State
FAR	Federal Acquisition Regulation
GAO	Government Accountability Office
ICOR	In-country Contracting Officer Representative
INL	Bureau of International Narcotics and Law Enforcement Affairs
MNSTC-I	Multi-National Security Transition Command-Iraq
SIGIR	Special Inspector General for Iraq Reconstruction

## **Appendix C—Audit Team Members**

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This report was prepared and the review was conducted under the direction of David R. Warren, Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

The staff members who conducted the audit and contributed to the report include:

Michael A. Bianco

Patricia H. Morel

Robert L. Pelletier

Nadia Shamari

Michael Welsh

## Appendix D—Department of State - INL Comments




United States Department of State

Washington, D.C. 20520

January 15, 2010

### UNCLASSIFIED MEMORANDUM

TO: SIGIR– Stuart W. Bowen

FROM: INL – David T. Johnson 

SUBJECT: INL Comments on the Draft Report for the Audit of the DynCorp  
International Task Orders for the Iraqi Police Training Program  
(Project 9025, Draft Report SIGIR 10-008, January 2010)

The Bureau of International Narcotics and Law Enforcement Affairs (INL) appreciates the opportunity to comment on the draft report and recommendations. The Bureau has made substantial improvements on the issues addressed in the report, which have been recognized in previous SIGIR reports, including the original joint work that resulted from INL reaching out to the oversight community in 2006. INL appreciates the helpful areas identified in this report, especially where the operating environment has made progress difficult to implement. We intend to work with SIGIR on a more vigorous program to implement the recommendations made in this report.

Two important areas where we agree with SIGIR:

- INL agrees with the discussion and recommendations concerning the need for more In-country Contract Officer's Representatives (ICORs), which we have been actively seeking. The Bureau also agrees with the need to systematically identify ICOR duties and responsibilities.
- INL also agrees with the report's recommendations to seek ways to compress the timeframe for the reconciliation process. We plan to move forward expeditiously in this area.

However, INL believes the report's statement that over \$2.5 billion in U.S. funds are vulnerable to waste and fraud is inaccurate. This assertion is not substantiated in the report nor is it consistent with INL's comprehensive invoicing review process, which takes place in the United States, that minimizes risk to the

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U.S. government. INL makes only provisional payments to the contractor and only after first initially certifying valid invoices for their propriety (thus ensuring compliance with the Prompt Payment Act) and conducting a detailed review of the invoice documentation. Over 19 percent of the invoices are rejected based on these reviews with current savings realized of nearly \$9 million. Modification 17 under the task order allows INL to demand repayment for any improper payments that are later identified via the more detailed invoice review conducted in Washington, D.C.

Therefore, the statement of \$2.5 billion being vulnerable to waste and fraud is unfounded.

Specific responses to proposed recommendations for this draft report are as follows:

*1. An immediate examination of the Afghanistan, Iraq, Jordan Support Division's personnel and operations to determine if the Division is structured, staffed, and managed to effectively and efficiently oversee the contracts under its responsibility. The results of this examination should be provided to the authorization and appropriations committees of the Congress.*

INL welcomes and supports such a review and intends to undertake it immediately. To be noted, INL has testified before the Commission on Wartime Contracting and demonstrated during the course of this audit that a fully integrated team conducts program management and contract oversight, for which there are three main components providing accountability through the separation of duties: (a) In-country Contract Officer's Representatives (ICORs) perform on-the-ground administrative contract support and technical monitoring and are comparable to Contracting Officer Technical Representatives (COTRs); (b) program officers assess contract performance; and (c) primarily due to space limitations at post and the need for continuity, a Washington back-office, including the Contract Officer's Representative (COR), provide additional contract support and review with full access to contract files as prescribed by the Federal Acquisition Regulations.

*2. Develop detailed guidance for the ICORs that specify their responsibilities and ways they can fulfill those responsibilities.*

INL agrees with this recommendation and plans to formalize ICOR operating procedures and guidelines to standardize their duties.

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*3. Assign specific responsibilities to each ICOR and have each provide reports on actions taken to fulfill assigned responsibilities.*

INL agrees with this recommendation and plans to formalize ICOR operating procedures and guidelines to standardize their duties.

*4. Determine how many ICORs are needed to accomplish assigned responsibilities and request positions to fill those needs.*

We agree that we need to significantly increase ICOR staffing. At this time, we are re-evaluating the manpower requirements to perform the broad range of contract oversight functions in this extremely difficult environment in concert with our execution of recommendation number one. This detailed review will take into account external factors such as the transportation difficulties encountered in overseeing contractor operations at over 50 locations throughout Iraq, staffing gaps due to employee leave and hiring delays, and the impact of consolidating Department of Defense and related civilian police operations during the next 16 months. At this time, we have three ICORs at post and four preparing for deployment. This initial staffing increase, taken together with the standardization noted above, will improve our contract oversight capability for activities such as: monitoring the technical progress of the contractor and contract expenditures, performing contract inspections, and accepting work on behalf of the U.S. Government.

*5. Determine how many additional personnel are needed to review and validate historical invoices within the next 2 years and request positions to fill those needs.*

INL agrees and plans to hire additional staff and/or contract support to significantly accelerate reconciliation of the historical invoices. With an augmented workforce, INL anticipates considerably reducing our current backlog as well as compressing our reconciliation timeline.

Again, INL appreciates the opportunity to work with the oversight community and comment on this report. If you have any additional questions or concerns, please contact Patricia Yorkman of my staff at (202) 776-8806.

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Drafted by: INL/RM – PYorkman x6-8806

Cleared by:

INL/FO – WMcGlynn (ok)

INL/RM – RBrynes (ok)

INL/RM/AIJS – TValentine/MPerez (ok)

INL/I–VRamadan (ok)

NAS/Baghdad – JManso (ok)

INL/PC – SPittman (info)

## **Appendix E—SIGIR Mission and Contact Information**

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<b>SIGIR’s Mission</b>	<p>Regarding the U.S. reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:</p> <ul style="list-style-type: none"><li>• oversight and review through comprehensive audits, inspections, and investigations</li><li>• advice and recommendations on policies to promote economy, efficiency, and effectiveness</li><li>• deterrence of malfeasance through the prevention and detection of fraud, waste, and abuse</li><li>• information and analysis to the Secretary of State, the Secretary of Defense, the Congress, and the American people through Quarterly Reports</li></ul>
<b>Obtaining Copies of SIGIR Reports and Testimonies</b>	<p>To obtain copies of SIGIR documents at no cost, go to SIGIR’s Web site (<a href="http://www.sigir.mil">www.sigir.mil</a>).</p>
<b>To Report Fraud, Waste, and Abuse in Iraq Relief and Reconstruction Programs</b>	<p>Help prevent fraud, waste, and abuse by reporting suspicious or illegal activities to the SIGIR Hotline:</p> <ul style="list-style-type: none"><li>• Web: <a href="http://www.sigir.mil/submit_fraud.html">www.sigir.mil/submit_fraud.html</a></li><li>• Phone: 703-602-4063</li><li>• Toll Free: 866-301-2003</li></ul>
<b>Congressional Affairs</b>	<p>Hillel Weinberg Assistant Inspector General for Congressional Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1059 Email: <a href="mailto:hillel.weinberg@sigir.mil">hillel.weinberg@sigir.mil</a></p>
<b>Public Affairs</b>	<p>Daniel Kopp Director for Public Affairs Mail: Office of the Special Inspector General for Iraq Reconstruction 400 Army Navy Drive Arlington, VA 22202-4704 Phone: 703-428-1217 Fax: 703-428-0818 Email: <a href="mailto:PublicAffairs@sigir.mil">PublicAffairs@sigir.mil</a></p>

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